

MURRAY COMMUNITY SCHOOL DISTRICT
MURRAY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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MURRAY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Dennis Jeter	President	2015
Terri Jones	Vice President	2015
John Siefkas	Board Member	2013
Aaron Peterson	Board Member	2013
Trevor Robbins	Board Member	2015
<u>School Officials</u>		
Alan Miller	Superintendent	2015
Elizabeth Justice	District Secretary	2013
Betty Jackson	District Treasurer	2013
Ron Peeler	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Murray Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Murray Community School District, Murray Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 50 through 52 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Murray Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2013 on our consideration of Murray Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Murray Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 23, 2013

Hunt & Associates, P.C.

This section of the Murray Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2013. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues were \$3,369,220, \$1,675 less than the prior year. Expenditures increased from \$2,996,931 in 2012 to \$3,224,263 in 2013. Revenues have exceeded expenditures for the past four years.
- The district received \$228,848 in sales tax from Clarke and Decatur counties and state supplemental funds.
- Patrons of the Murray Community School District passed a \$2,085,000 bond issue in February 2013. The project includes renovation of the school lunchroom, construction of new math and science classrooms, school offices, and a practice size gymnasium. Construction is scheduled to begin in August 2013 with completion in August 2014.
- The district will issue Sales Tax Revenue Bonds in 2013-14 to finance additional construction costs.
- 2012-13 Sales tax revenues were used to make the final payment on 2004 general obligation refunding bonds, pay architect fees on the proposed building project, construct two garages, purchase a minivan and purchase computers to begin the district's one-on-one computer initiative.
- Debt Service Fund revenues were down \$20,693 from the prior year and expenditures decreased by \$22,300. Both decreases were the result of decreased debt service needs for fiscal 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

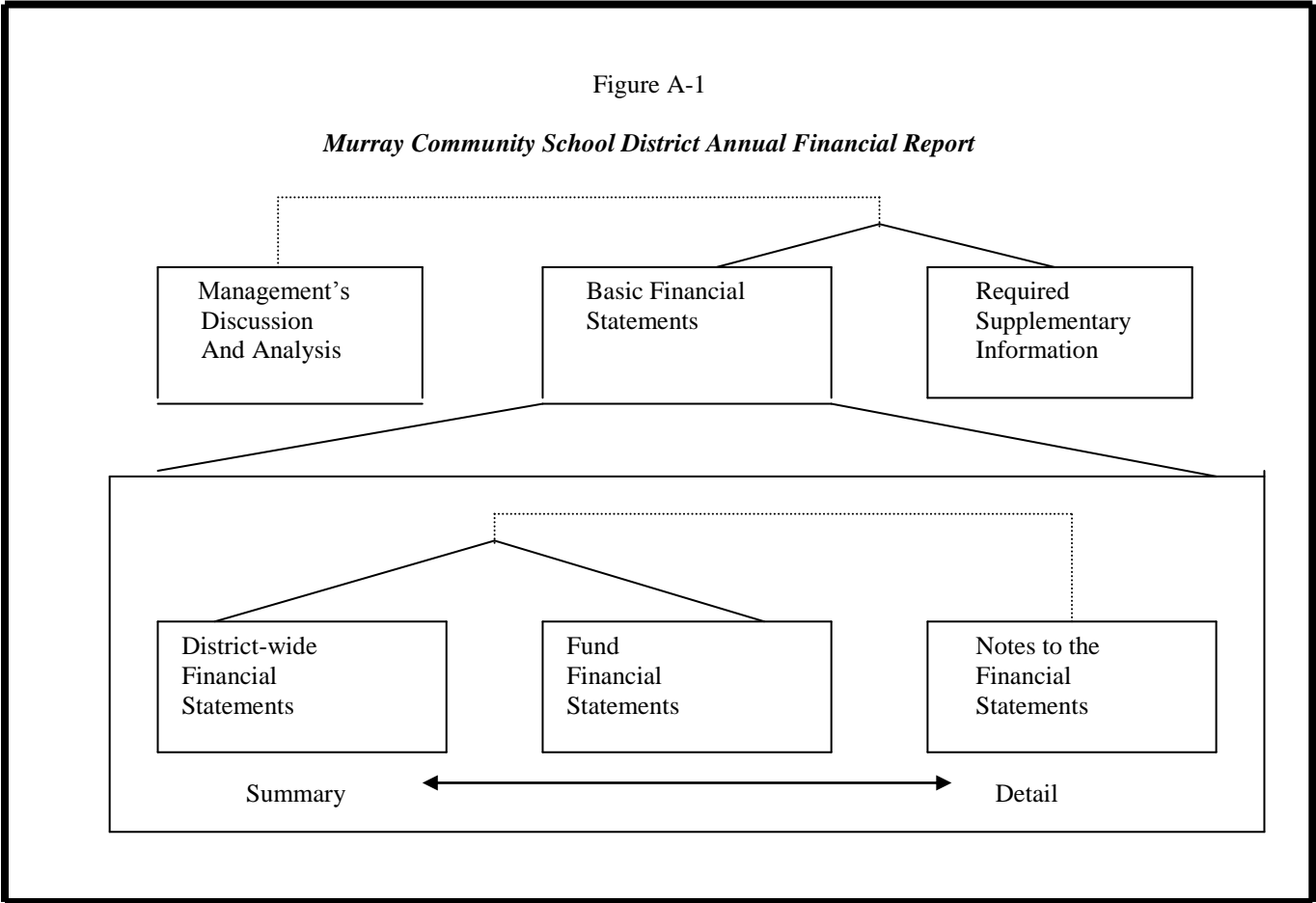


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p style="text-align: center;">Figure A-2 Major Features of the District-Wide and Fund Financial Statements</p>				
	District-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds) special education	The activities of the district that are not proprietary or fiduciary, such as and building maintenance	Activities the district operates similar to private businesses: food services of someone else,	Instances in which the district administers resources on behalf such as scholarship programs
Required financial statements	Statement of net position Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net position Statement of cash Flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-section companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District use to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal funds.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net position. A comparison of the District's combined net position for 2011, 2012 and 2013 follows:

Figure A-3
Statement of Net Position

	Governmental Activities			Business-Type Activities			Total School District		
	2011	2012	2013	2011	2012	2013	22011	2012	2013
Assets:									
Current and other Assets	\$2,984,789	\$3,325,981	5,690,376	145,546	125,393	132,260	3,130,335	3,451,374	5,822,636
Capital assets	<u>1,408,980</u>	<u>1,381,742</u>	<u>1,564,213</u>	<u>81,393</u>	<u>72,782</u>	<u>67,673</u>	<u>1,490,373</u>	<u>1,454,524</u>	<u>1,631,886</u>
Total assets	4,393,769	4,707,723	7,254,589	226,939	198,175	199,933	4,620,708	4,905,898	7,454,522
Long-term obligations	144,090	66,086	2,092,320	0	0	0	144,090	66,086	2,092,320
Other obligations	<u>1,278,512</u>	<u>1,127,585</u>	<u>1,227,550</u>	<u>22,702</u>	<u>16,206</u>	<u>28,443</u>	<u>1,301,214</u>	<u>1,143,791</u>	<u>1,255,993</u>
Total liabilities	1,422,602	1,193,671	3,319,870	22,702	16,206	28,443	1,445,304	1,209,877	3,348,313
Net position									
Net investment in capital assets	1,268,980	1,321,742	1,564,213	81,393	72,782	67,673	1,350,373	1,394,524	1,631,866
Restricted	504,359	709,320	753,344	0	0	0	504,359	709,320	753,344
Unrestricted	<u>1,197,828</u>	<u>1,482,990</u>	<u>1,617,162</u>	<u>122,844</u>	<u>109,187</u>	<u>103,817</u>	<u>1,320,672</u>	<u>1,592,177</u>	<u>1,720,979</u>
Total net position	<u>\$2,971,167</u>	<u>\$3,514,052</u>	<u>3,934,719</u>	<u>204,237</u>	<u>\$181,969</u>	<u>171,490</u>	<u>\$3,175,404</u>	<u>\$3,696,021</u>	<u>\$4,106,209</u>

A large portion of the District's net position reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (general obligation bonds payable). The District's capital assets are used to provide services to students and are unavailable for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net position – Figure A-4 shows a comparison of the changes in net position for three years ending June 30, 2013.

Figure A-4
Changes in Net Position

	2011	2012	2013	2011	2012	2013	2011	2012	2013
Revenues									
Program revenues:									
Charges for service & sales	\$ 637,666	\$ 695,079	\$ 858,982	\$ 80,516	\$ 87,097	\$ 80,196	\$718,182	\$782,176	\$939,178
Operating grants, contributions, and restricted interest	756,757	656,377	601,683	130,738	132,360	138,358	887,495	788,737	740,041
Capital grants, contributions and restricted interest	400	38,120	75,975	27,332	0	0	27,732	38,120	75,975
General revenues:							-	-	-
Property tax	646,097	809,136	728,716	0	0	0	646,097	809,136	728,716
Debt Service	37,924	25,381	4,689	0	0	0	37,924	25,381	4,689
PPEL	18,082	18,827	19,243	0	0	0	18,082	18,827	19,243
Local Option Sales and Services tax	202,839	211,992	228,848	0	0	0	202,839	211,992	228,848
Income Surtax	99,612	95,404	107,054	0	0	0	99,612	95,404	107,054
Unrestricted state grants	1,412,178	1,269,582	1,337,966	0	0	0	1,412,178	1,269,582	1,337,966
Unrestricted interest earnings	4,358	4,923	4,798	115	40	90	4,473	4,963	4,888
Loss on disposal of equipment		0		(1,408)	0	0	(1,408)	-	-
Other	<u>6,986</u>	<u>128,157</u>	<u>37,956</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,986</u>	<u>128,157</u>	<u>37,956</u>
Total Revenues	\$3,822,899	\$3,952,978	\$4,005,910	\$ 237,293	\$ 219,497	\$ 218,644	\$ 4,060,192	\$ 4,172,475	\$ 4,224,554
Program expenses									
Governmental activities:									
Instruction	2,060,668	2,066,348	2,209,662	0	0	0	2,060,668	2,066,348	2,209,662
Support Services	984,378	1,053,362	1,175,728	0	0	0	984,378	1,053,362	1,175,728
Non-instructional programs	0	0	0	192,801	241,765	229,123	192,801	241,765	229,123
Other expenses	<u>337,230</u>	<u>290,383</u>	<u>199,853</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>337,230</u>	<u>290,383</u>	<u>199,853</u>
	\$3,382,276	\$3,410,093	\$3,585,243	\$192,801	\$241,765	\$229,123	\$3,575,077	\$3,651,858	\$3,814,366
Change in net position	\$440,623	\$542,885	\$420,667	\$44,492	(\$22,268)	(\$10,479)	\$485,115	\$520,617	\$410,188

Fiscal year 2013 revenue sources for the District by percentage are as follows:

Property tax and unrestricted state grants	50%
Charges for sales and services	22%
Operating and capital grants, contributions, and restricted interest	19%
Sales and services tax, income surtax, interest and other sources	9%

The District's expenses primarily relate to instruction and support services, which accounted for 88% of the total expenses for 2013.

Governmental Activities

Figure A-5 presents a comparison of the total and net cost of the District's major governmental activities:

Figure A-5

Total and Net Cost of Governmental Activities

Total Cost of Services		Net Cost of Services			
2011	2012	2013	2011	2012	2013
Instruction	\$2,060,668	2,066,348	2,209,662	\$787,856	\$ 822,837
Support Services	984,378	1,053,362	1,175,728	984,378	1,052,862
Non-instructional programs		0	0	0	0
Other expenses	<u>337,230</u>	<u>290,383</u>	<u>199,853</u>	<u>215,219</u>	<u>144,818</u>
Totals	\$3,382,276	\$3,410,093	3,585,243	\$1,987,453	\$2,020,517

	2011	2012	2013
• Costs financed by users of the District's programs		\$ 637,666	\$ 695,079
• Federal and state governments grants & contributions		757,157	694,497
• Net cost of governmental activities financed by:			
Property, income, and sales taxes		1,004,554	1,160,740
Unrestricted state funds		1,412,178	1,269,582
Interest income		4,358	4,923
Other general revenues		6,986	128,157

Business-Type Activities

Revenues of the District's business-type activities were \$218,644 and expenses were \$229,123. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Murray Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2013, its governmental funds reported combined fund balances of \$4,362,187.

Governmental Fund Highlights

General Fund revenues exceeded expenditures by \$144,957. An increase in state revenues was offset by a decline in local and federal revenues. General fund expenditures increased by 7% over the prior year.

This increase was attributable to a 3% increase in employee salaries and benefits, increased special education and open enrollment tuition, and architect, attorney and bonding agent fees. A large percentage of these fees are non-recurring costs.

Proprietary Fund Highlights

The School Nutrition Fund unreserved retained earnings was \$103,817 for the year ending June 30, 2013, a decrease of \$5,370 from the prior year. Increased food, labor and benefit costs accounted for the decrease.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual revenues were \$237,612 greater than the total projected certified budget receipts, a variance of 6%.

Total expenditures were less than budgeted. It is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$1,564,213, net of accumulated depreciation of \$2,108,158, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$67,673, net of accumulated depreciation of \$48,883 in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$98,360 for governmental activities, and \$8,764 for business-type activities.

The District has set capitalization levels of \$1500 for all governmental activities assets. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities	Business-type Activities	Total School District	
Land	\$	51,520	\$ 0	\$ 51,520
Construction in progress		116,120	0	116,120
Buildings	1,158,517	0	1,158,517	
Improvements, other than buildings		161,559	0	161,559
Furniture and equipment		<u>76,497</u>	<u>67,673</u>	<u>144,170</u>
Total	<u>\$1,564,213</u>	<u>\$67,673</u>	<u>\$1,631,886</u>	

Long-Term Liabilities

At June 30, 2013, the District had long-term liabilities totaling \$2,092,320 of which \$2,085,000 was for General obligation bonds, and \$7,320 was for Other Postemployment Benefits (OPEB). More detailed information is available in Notes 5 and 6 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- This was the second year of a superintendent sharing agreement. Currently, the District shares superintendent services, a transportation supervisor, and five teachers. Sharing has allowed the District to expand class offerings and add additional staff.
- Revenues exceeded expenditures during the 2012-13 year for the fourth straight year.
- The District entered into a \$2,518,000 contract for a building addition and renovation project. The average annual debt service payment over the next 20 years will be \$131,000 per year. The project balance will be paid over the next 10 years with sales tax revenue bonds. The average annual payment will be \$79,000.
- The number of resident and non-resident students served in District increased by 22 students in October 2012.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Justice, District Secretary/Business Manager, Murray Community School District, PO Box 187, Murray, Iowa 50174.

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Basic Financial Statements

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,477,862	\$ 120,846	\$ 4,598,708
Receivables:			
Property tax:			
Current year	14,113	-	14,113
Succeeding year	817,967	-	817,967
Income surtax	103,912	-	103,912
Accrued interest	8	-	8
Due from other governments	276,514	7,460	283,974
Inventories	-	3,954	3,954
Capital assets, net of accumulated depreciation (note 4)	1,564,213	67,673	1,631,886
Total assets	7,254,589	199,933	7,454,522
Liabilities			
Accounts payable	61,244	13,357	74,601
Salaries and benefits payable	345,066	11,311	356,377
Accrued interest payable	3,273	-	3,273
Deferred revenue:			
Succeeding year property tax	817,967	-	817,967
Other	-	3,775	3,775
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	120,000	-	120,000
Portion due after one year:			
Bonds payable	1,965,000	-	1,965,000
Net OPEB liability	7,320	-	7,320
Total liabilities	3,319,870	28,443	3,348,313

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 1,564,213	\$ 67,673	\$ 1,631,886
Restricted for:			
Categorical funding	162,771	-	162,771
Management levy purposes	124,774	-	124,774
Physical plant and equipment levy purposes	99,833	-	99,833
Student activities	142,106	-	142,106
Capital projects	223,860	-	223,860
Unrestricted	1,617,162	103,817	1,720,979
Total net position	\$ <u>3,934,719</u>	\$ <u>171,490</u>	\$ <u>4,106,209</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

		Program Revenues		
			Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Functions/Programs	Expenses	Charges for Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,270,395	\$ 642,437	\$ 401,762	\$ -
Special instruction	325,033	41,577	93,196	-
Other instruction	614,234	174,968	-	-
	<u>2,209,662</u>	<u>858,982</u>	<u>494,958</u>	<u>-</u>
Support services:				
Student services	94,118	-	-	-
Instructional staff services	160,568	-	-	-
Administration services	502,505	-	-	-
Operation and maintenance of plant services	247,001	-	-	-
Transportation services	171,536	-	-	-
	<u>1,175,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,010	-	-	75,975
Long-term debt interest and fiscal charges	6,030	-	-	-
AEA flowthrough	106,725	-	106,725	-
Depreciation (unallocated) *	66,088	-	-	-
	<u>199,853</u>	<u>-</u>	<u>106,725</u>	<u>75,975</u>
Total governmental activities	<u>3,585,243</u>	<u>858,982</u>	<u>601,683</u>	<u>75,975</u>

Net (Expense) Revenue
and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(226,196)	\$ -	(226,196)
	(190,260)	-	(190,260)
	(439,266)	-	(439,266)
	(855,722)	-	(855,722)
	(94,118)	-	(94,118)
	(160,568)	-	(160,568)
	(502,505)	-	(502,505)
	(247,001)	-	(247,001)
	(171,536)	-	(171,536)
	(1,175,728)	-	(1,175,728)
	54,965	-	54,965
	(6,030)	-	(6,030)
	-	-	-
	(66,088)	-	(66,088)
	(17,153)	-	(17,153)
	(2,048,603)	-	(2,048,603)

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

		Program Revenues		
			Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Functions/Programs	Expenses	Charges for Services		
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 229,123	\$ 80,196	\$ 138,358	\$ -
Total	\$ 3,814,366	\$ 939,178	\$ 740,041	\$ 75,975

General revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<u> </u>	<u> </u>	<u> </u>
\$ <u> </u> -	\$ <u>(10,569)</u>	\$ <u>(10,569)</u>
<u>(2,048,603)</u>	<u>(10,569)</u>	<u>(2,059,172)</u>

\$ 728,716	\$ -	\$ 728,716
4,689	-	4,689
19,243	-	19,243
107,054	-	107,054
228,848	-	228,848
1,337,966	-	1,337,966
4,798	90	4,888
37,956	-	37,956
<u>2,469,270</u>	<u>90</u>	<u>2,469,360</u>
420,667	(10,479)	410,188
<u>3,514,052</u>	<u>181,969</u>	<u>3,696,021</u>
\$ <u><u>3,934,719</u></u>	\$ <u><u>171,490</u></u>	\$ <u><u>4,106,209</u></u>

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,840,223	\$ 2,000	\$ 2,366,182	\$ 269,457	\$ 4,477,862
Receivables:					
Property tax:					
Current year	11,789	88	361	1,875	14,113
Succeeding year	585,346	162,732	19,889	50,000	817,967
Income surtax	103,912	-	-	-	103,912
Accrued interest	8	-	-	-	8
Due from other governments	214,768	-	61,746	-	276,514
Total assets	<u>\$ 2,756,046</u>	<u>\$ 164,820</u>	<u>\$ 2,448,178</u>	<u>\$ 321,332</u>	<u>\$ 5,690,376</u>

MURRAY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 37,728	\$ -	\$ 19,596	\$ 3,920	\$ 61,244
Salaries and benefits payable	344,534	-	-	532	345,066
Deferred revenue:					
Succeeding year property tax	585,346	162,732	19,889	50,000	817,967
Other	103,912	-	-	-	103,912
Total liabilities	<u>1,071,520</u>	<u>162,732</u>	<u>39,485</u>	<u>54,452</u>	<u>1,328,189</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	162,771	-	-	-	162,771
Debt service	-	2,088	-	-	2,088
Management levy purposes	-	-	-	124,774	124,774
Student activities	-	-	-	142,106	142,106
School infrastructure	-	-	2,308,860	-	2,308,860
Physical plant and equipment	-	-	99,833	-	99,833
Assigned:					
Building furnishings	250,000	-	-	-	250,000
Band resale	368	-	-	-	368
Unassigned	1,271,387	-	-	-	1,271,387
Total fund balances	<u>1,684,526</u>	<u>2,088</u>	<u>2,408,693</u>	<u>266,880</u>	<u>4,362,187</u>
Total liabilities and fund balances	<u>\$ 2,756,046</u>	<u>\$ 164,820</u>	<u>\$ 2,448,178</u>	<u>\$ 321,332</u>	<u>\$ 5,690,376</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances of governmental funds	\$ 4,362,187
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,564,213
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	103,912
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,273)
Long-term liabilities, including bonds payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,092,320)</u>
Net position of governmental activities	<u>\$ 3,934,719</u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 735,441	\$ 4,687	\$ 248,081	\$ 99,941	\$ 1,088,150
Tuition	454,255	-	-	-	454,255
Other	290,875	-	11,590	164,853	467,318
Intermediate sources	755	-	-	-	755
State sources	1,771,080	2	11	53	1,771,146
Federal sources	116,814	-	-	-	116,814
Total revenues	3,369,220	4,689	259,682	264,847	3,898,438
Expenditures:					
Current:					
Instruction	2,026,567	-	-	182,487	2,209,054
Support services:					
Student	94,118	-	-	-	94,118
Instructional staff	114,141	-	46,427	-	160,568
Administration	491,585	-	116,120	9,080	616,785
Operation and maintenance of plant	236,724	-	-	9,848	246,572
Transportation	154,403	-	17,800	-	172,203
	1,090,971	-	180,347	18,928	1,290,246
Other expenditures:					
Facilities acquisition	-	-	154,425	-	154,425
Long term debt:					
Principal	-	60,000	-	-	60,000
Interest and fiscal charges	-	2,940	-	-	2,940
AEA flowthrough	106,725	-	-	-	106,725
	106,725	62,940	154,425	-	324,090
Total expenditures	3,224,263	62,940	334,772	201,415	3,823,390
Excess (deficiency) of revenues over (under) expenditures	144,957	(58,251)	(75,090)	63,432	75,048

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Compensation for loss of capital assets	\$ -	\$ -	\$ 75,975	\$ -	\$ 75,975
General obligation bonds issued	-	-	2,085,000	-	2,085,000
Bond premium	-	-	31,497	-	31,497
Interfund transfers in (note 3)	-	50,000	-	-	50,000
Interfund transfers out (note 3)	-	-	(50,000)	-	(50,000)
Total other financing sources (uses)	-	50,000	2,142,472	-	2,192,472
Net change in fund balances	144,957	(8,251)	2,067,382	63,432	2,267,520
Fund balances beginning of year	1,539,569	10,339	341,311	203,448	2,094,667
Fund balances end of year	<u>\$ 1,684,526</u>	<u>\$ 2,088</u>	<u>\$ 2,408,693</u>	<u>\$ 266,880</u>	<u>\$ 4,362,187</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 2,267,520

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 280,831	
Depreciation expense	<u>(98,360)</u>	182,471

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (2,085,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position 60,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (3,090)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Net OPEB liability	<u>(1,234)</u>
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Change in net position of governmental activities \$ 420,667

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 120,846
Due from other governments	7,460
Inventories	<u>3,954</u>
Total current assets	<u>132,260</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 4)	<u>67,673</u>
Total assets	<u>199,933</u>
Liabilities	
Current liabilities:	
Accounts payable	13,357
Salaries and benefits payable	11,311
Deferred revenue	<u>3,775</u>
Total current liabilities	<u>28,443</u>
Net Position	
Net investment in capital assets	67,673
Unrestricted	<u>103,817</u>
Total net position	<u>\$ 171,490</u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>80,196</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	75,730
Benefits	13,532
Purchased services	11,541
Supplies	119,456
Depreciation	8,764
Other	<u>100</u>
	<u>229,123</u>
Operating loss	(148,927)
Non-operating revenues:	
Interest on investments	90
State sources	1,913
Federal sources	<u>136,445</u>
Total non-operating revenues	<u>138,448</u>
Change in net position	(10,479)
Net position beginning of year	<u>181,969</u>
Net position end of year	\$ <u><u>171,490</u></u>

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 79,233
Cash received from miscellaneous operating activities	1,079
Cash payments to employees for services	(89,272)
Cash payments to suppliers for goods or services	<u>(104,035)</u>
Net cash used by operating activities	<u>(112,995)</u>
Cash flows from non-capital financing activities:	
State grants received	1,913
Federal grants received	<u>121,873</u>
Net cash provided by non-capital financing activities	<u>123,786</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,655)</u>
Cash flows from investing activities:	
Interest on investments	<u>90</u>
Net increase in cash and cash equivalents	7,226
Cash and cash equivalents beginning of year	<u>113,620</u>
Cash and cash equivalents end of year	<u>\$ 120,846</u>

MURRAY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (148,927)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	8,764
Commodities used	14,415
Decrease in inventories	516
Increase in accounts payable	12,131
(Decrease) in salaries and benefits payable	(10)
Increase in deferred revenue	<u>116</u>
Net cash used by operating activities	<u>\$ (112,995)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2013, the District received \$14,415 of federal commodities.	

See notes to financial statements.

MURRAY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>146,778</u>
Net position:	
Reserved for scholarships	\$ <u><u>146,778</u></u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>144,259</u>
Deductions:	
Support services:	
Supplies	<u>272</u>
Change in net position	143,987
Net position beginning of year	<u>2,791</u>
Net position end of year	\$ <u><u>146,778</u></u>
See notes to financial statements.	

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Murray Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Murray, Iowa, and agricultural territory in Clarke, Decatur and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Murray Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Murray Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clarke County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position are reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employees in the year it is earned. The District has no compensated absences liability at June 30, 2013.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instruction and support services functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>1,259,747</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>50,000</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,520	\$ -	\$ -	\$ 51,520
Construction in progress	-	116,120	-	116,120
Total capital assets not being depreciated	<u>51,520</u>	<u>116,120</u>	<u>-</u>	<u>167,640</u>
Capital assets being depreciated:				
Buildings	2,394,763	80,263	12,934	2,462,092
Improvements other than buildings	213,343	64,048	13,413	263,978
Furniture and equipment	758,261	20,400	-	778,661
Total capital assets being depreciated	<u>3,366,367</u>	<u>164,711</u>	<u>26,347</u>	<u>3,504,731</u>
Less accumulated depreciation for:				
Buildings	1,262,173	54,336	12,934	1,303,575
Improvements other than buildings	104,080	11,752	13,413	102,419
Furniture and equipment	669,892	32,272	-	702,164
Total accumulated depreciation	<u>2,036,145</u>	<u>98,360</u>	<u>26,347</u>	<u>2,108,158</u>
Total capital assets being depreciated, net	<u>1,330,222</u>	<u>66,351</u>	<u>-</u>	<u>1,396,573</u>
Governmental activities capital assets, net	<u>\$ 1,381,742</u>	<u>\$ 182,471</u>	<u>\$ -</u>	<u>\$ 1,564,213</u>
Business-type activities:				
Furniture and equipment	\$ 112,901	\$ 3,655	\$ -	\$ 116,556
Less accumulated depreciation	<u>40,119</u>	<u>8,764</u>	<u>-</u>	<u>48,883</u>
Business-type activities capital assets, net	<u>\$ 72,782</u>	<u>\$ (5,109)</u>	<u>\$ -</u>	<u>\$ 67,673</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 13,055
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Support services:

Administration	1,655
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Operation and maintenance of plant	429
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Transportation	17,133
----------------	--------

	<u>32,272</u>
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Unallocated depreciation	<u>66,088</u>
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Total depreciation expense - governmental activities	\$ <u>98,360</u>
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Business-type activities:

Food service operations	\$ <u>8,764</u>
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Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 60,000	\$ 2,085,000	\$ 60,000	\$ 2,085,000	\$ 120,000
Net OPEB liability	6,086	1,234	-	7,320	-
Total	\$ <u>66,086</u>	\$ <u>2,086,234</u>	\$ <u>60,000</u>	\$ <u>2,092,320</u>	\$ <u>120,000</u>

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

During the year ended June 30, 2013, the District issued \$2,085,000 in general obligation bonds. The bonds, dated June 1, 2013, are payable through the year ended June 30, 2033 and have interest rates ranging from .5% to 2.9%. The proceeds will be used for the construction and furnishing of a building addition and for site improvements.

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated June 1, 2013		
		Principal	Interest	Total
2014	0.50 %	\$ 120,000	\$ 39,872	\$ 159,872
2015	0.60	90,000	39,273	129,273
2016	0.70	90,000	38,733	128,733
2017	0.85	90,000	38,102	128,102
2018	1.00	95,000	37,338	132,338
2019	1.15	95,000	36,387	131,387
2020	1.35	95,000	35,295	130,295
2021	1.50	95,000	34,012	129,012
2022	1.65	95,000	32,588	127,588
2023	1.75	100,000	31,020	131,020
2024	1.85	100,000	29,270	129,270
2025	2.15	100,000	27,420	127,420
2026	2.45	105,000	25,270	130,270
2027	2.60	105,000	22,697	127,697
2028	2.65	110,000	19,967	129,967
2029	2.75	115,000	17,053	132,053
2030	2.80	115,000	13,890	128,890
2031	2.85	120,000	10,670	130,670
2032	2.90	125,000	7,250	132,250
2033	2.90	125,000	3,625	128,625
		<u>\$ 2,085,000</u>	<u>\$ 539,732</u>	<u>\$ 2,624,732</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 27 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	9,807
Interest on net OPEB obligation		274
Adjustment to annual required contribution		(243)
Annual OPEB cost		<u>9,838</u>
Contributions made		<u>8,604</u>
Increase in net OPEB obligation		1,234
Net OPEB obligation beginning of year		<u>6,086</u>
Net OPEB obligation end of year	\$	<u><u>7,320</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$8,604 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 14,000	85.7%	\$ 2,000
June 30, 2011	14,000	85.7%	4,090
June 30, 2012	14,000	85.7%	6,086
June 30, 2013	9,838	87.5%	7,320

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$89,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$89,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,028,000, and the ratio of the UAAL to covered payroll was 4.4%. As of June 30, 2013, there were no trust fund assets.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 2%. The ultimate medical trend rate is 6%. The medical trend rate is adjusted each year accordingly to match the rates as noted by the National Health Care Expenditures Projections of the Office of the Actuaries at the Centers for Medicare and Medicaid Services in 2007.

Mortality rates are from the Life Expectancy Table from the National Center for Health Statistics, updated in 2008, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from table I in GASB 45 paragraph 35(b).

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$175,618, \$158,213, and \$127,391, respectively, equal to the required contributions for each year.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

Murray Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$106,725 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention program	\$ 60,289
Four-year-old preschool State Aid	56,227
Professional development	17,997
Early intervention	16,472
Professional development for model core curriculum	8,454
Salary improvement program	2,481
Beginning teacher mentoring and induction	708
Administrator mentoring	<u>143</u>
Total	\$ <u><u>162,771</u></u>

Note 11. Construction Commitments

The District has entered into a contract totaling \$2,518,000 for a building addition and renovation. As of June 30, 2013, the project had not yet been started.

Note 12. Subsequent Event

On August 1, 2013, the District issued \$700,000 of school infrastructure sales, services and use tax revenue bonds. Those bonds have an interest rate of 2.31% and are payable through the year ended June 30, 2024.

Required Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 2,009,723	\$ 80,286	\$ 2,090,009	\$ 1,720,353	\$ 1,720,353	\$ 369,656
Intermediate sources	755	-	755	1,000	1,000	(245)
State sources	1,771,146	1,913	1,773,059	1,823,117	1,823,117	(50,058)
Federal sources	116,814	136,445	253,259	335,000	335,000	(81,741)
Total revenues	3,898,438	218,644	4,117,082	3,879,470	3,879,470	237,612
EXPENDITURES/EXPENSES:						
Instruction	2,209,054	-	2,209,054	2,915,000	2,915,000	705,946
Support services	1,290,246	-	1,290,246	1,454,187	1,454,187	163,941
Non-instructional programs	-	229,123	229,123	410,000	410,000	180,877
Other expenditures	324,090	-	324,090	278,354	600,000	275,910
Total expenditures/expenses	3,823,390	229,123	4,052,513	5,057,541	5,379,187	1,326,674
Excess (deficiency) of revenues over (under) expenditures/ expenses	75,048	(10,479)	64,569	(1,178,071)	(1,499,717)	1,564,286
Other financing sources, net	2,192,472	-	2,192,472	-	-	2,192,472
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	2,267,520	(10,479)	2,257,041	(1,178,071)	(1,499,717)	3,756,758
Balance beginning of year	2,094,667	181,969	2,276,636	1,686,187	1,686,187	590,449
Balance end of year	\$ 4,362,187	\$ 171,490	\$ 4,533,677	\$ 508,116	\$ 186,470	\$ 4,347,207

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$321,646.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 99	\$ 99	0.0%	\$ 1,757	5.6%
2011	July 1, 2009	-	99	99	0.0%	1,861	5.3%
2012	July 1, 2009	-	99	99	0.0%	1,980	5.0%
2013	July 1, 2009	-	89	89	0.0%	2,028	4.4%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Assets			
Cash and pooled investments	\$ 125,549	\$ 143,908	\$ 269,457
Receivables:			
Property tax:			
Current year	1,875	-	1,875
Succeeding year	50,000	-	50,000
Total assets	<u>\$ 177,424</u>	<u>\$ 143,908</u>	<u>\$ 321,332</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,650	\$ 1,270	\$ 3,920
Salaries and benefits payable	-	532	532
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
Total liabilities	<u>52,650</u>	<u>1,802</u>	<u>54,452</u>
Fund balances:			
Restricted for:			
Management levy purposes	124,774	-	124,774
Student activities	-	142,106	142,106
Total fund balances	<u>124,774</u>	<u>142,106</u>	<u>266,880</u>
Total liabilities and fund balances	<u>\$ 177,424</u>	<u>\$ 143,908</u>	<u>\$ 321,332</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 99,941	\$ -	\$ 99,941
Other	-	164,853	164,853
State sources	53	-	53
Total revenues	99,994	164,853	264,847
Expenditures:			
Current:			
Instruction	23,991	158,496	182,487
Support services:			
Administration	9,080	-	9,080
Operation and maintenance of plant services	9,848	-	9,848
Total expenditures	42,919	158,496	201,415
Excess of revenues over expenditures	57,075	6,357	63,432
Fund balances beginning of year	67,699	135,749	203,448
Fund balances end of year	\$ 124,774	\$ 142,106	\$ 266,880

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 149,887	\$ 99,472	\$ 2,116,823	\$ 2,366,182
Receivables:				
Property tax:				
Current year	-	361	-	361
Succeeding year	-	19,889	-	19,889
Due from other governments	61,746	-	-	61,746
Total assets	<u>\$ 211,633</u>	<u>\$ 119,722</u>	<u>\$ 2,116,823</u>	<u>\$ 2,448,178</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,596	\$ -	\$ -	\$ 19,596
Deferred revenue:				
Succeeding year property tax	-	19,889	-	19,889
Total liabilities	<u>19,596</u>	<u>19,889</u>	<u>-</u>	<u>39,485</u>
Fund balances:				
Restricted for:				
School infrastructure	192,037	-	2,116,823	2,308,860
Physical plant and equipment	-	99,833	-	99,833
Total fund balances	<u>192,037</u>	<u>99,833</u>	<u>2,116,823</u>	<u>2,408,693</u>
Total liabilities and fund balances	<u>\$ 211,633</u>	<u>\$ 119,722</u>	<u>\$ 2,116,823</u>	<u>\$ 2,448,178</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 228,848	\$ 19,233	\$ -	\$ 248,081
Other	11,264	-	326	11,590
State sources	-	11	-	11
Total revenues	<u>240,112</u>	<u>19,244</u>	<u>326</u>	<u>259,682</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	25,851	20,576	-	46,427
Administration	116,120	-	-	116,120
Transportation	17,800	-	-	17,800
Other expenditures:				
Facilities acquisition	89,523	64,902	-	154,425
Total expenditures	<u>249,294</u>	<u>85,478</u>	<u>-</u>	<u>334,772</u>
Excess (deficiency) of revenues over (under) expenditures	(9,182)	(66,234)	326	(75,090)
Other financing sources (uses):				
Compensation for loss of capital assets	-	75,975	-	75,975
General obligation bonds issued	-	-	2,085,000	2,085,000
Bond premium	-	-	31,497	31,497
Interfund transfers out	(50,000)	-	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>75,975</u>	<u>2,116,497</u>	<u>2,142,472</u>
Net change in fund balances	(59,182)	9,741	2,116,823	2,067,382
Fund balances beginning of year	<u>251,219</u>	<u>90,092</u>	<u>-</u>	<u>341,311</u>
Fund balances end of year	<u>\$ 192,037</u>	<u>\$ 99,833</u>	<u>\$ 2,116,823</u>	<u>\$ 2,408,693</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Student Mentor Groups	\$ 1,054	\$ 600	\$ 548	\$ 1,106
Elementary Student Council	819	363	480	702
Athletics	5,695	21,725	11,406	16,014
Band/Vocal Resale	659	58	717	-
Class of:				
2009	-	-	-	-
2011	280	-	280	-
2012	4,072	-	4,072	-
2013	5,695	10,220	13,842	2,073
2014	587	12,763	9,501	3,849
2015	410	25	-	435
2016	165	-	-	165
2017	10	-	-	10
2018	-	57	-	57
Past Graduates	-	23	-	23
Fruit Sales	256	19,319	13,768	5,807
Basketball Camp	(292)	4,090	3,000	798
Programs Fund	181	-	-	181
Concession Supplies	2,044	3,529	692	4,881
Physics Club	541	1,265	550	1,256
All School Fundraisers	9,681	-	5,082	4,599
FFA	3,989	3,482	6,030	1,441
FFA Soils Kit Fund	736	500	5,156	(3,920)
FHA	4,662	2,385	3,695	3,352
FNA	436	63	68	431
Book Fair	2,026	-	-	2,026
Miscellaneous Athletics	1,859	-	176	1,683
Student Council	3,037	3,568	2,651	3,954
Drama	1,483	1,873	1,309	2,047
Picture Fund	254	232	-	486
French Club	3,111	-	917	2,194
Student Council Pop	1,022	1,262	58	2,226
Supplies	1,148	11	9	1,150
Baseball/Softball	(6,113)	6,600	13,688	(13,201)
Basketball	16,410	13,647	7,372	22,685
Football	2,986	27,519	19,517	10,988
Track	18	2,068	810	1,276
Volleyball	607	2,025	1,810	822
Interest	1,667	510	-	2,177
Yearbook	9,124	3,602	3,807	8,919
National Honor Society	-	35	35	-
TAG Club	1,959	70	-	2,029

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
After Prom	\$ 1,327	\$ 4,151	\$ 3,387	\$ 2,091
FBLA	94	-	-	94
Vocal Music - Trips	1,865	5,536	5,275	2,126
Weightlifting	1,901	-	1,854	47
Wrestling	55	-	-	55
Swim Fund	7,864	2,250	1,499	8,615
Character Counts	1,990	1,008	355	2,643
Map Program	4,172	-	4,172	-
Mustang Pride	725	45	146	624
Co-Curricular Activity Fund	2,055	6,602	3,805	4,852
Student Council Ice Cream	13,466	-	-	13,466
Student Flower Fund	2,411	280	97	2,594
Elementary Apparel Fund	553	2,104	1,856	801
Gate Change	(300)	550	550	(300)
Preschool Fundraising	2,303	4,196	2,850	3,649
Elementary Trips	-	1,147	40	1,107
Elementary Fundraiser	12,990	4,000	12,069	4,921
Intrafund Transfers	-	(10,505)	(10,505)	-
Total	\$ <u>135,749</u>	\$ <u>164,853</u>	\$ <u>158,496</u>	\$ <u>142,106</u>

See accompanying independent auditor's report.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 1,088,150	\$ 1,161,960	\$ 1,002,218	\$ 938,014
Tuition	454,255	453,963	463,404	444,997
Other	467,318	293,472	259,571	186,966
Intermediate sources	755	811	873	3,557
State sources	1,771,146	1,691,348	1,891,338	1,499,803
Federal sources	116,814	215,845	203,461	298,474
Total revenues	<u>\$ 3,898,438</u>	<u>\$ 3,817,399</u>	<u>\$ 3,820,865</u>	<u>\$ 3,371,811</u>
Expenditures:				
Instruction	\$ 2,209,054	\$ 2,055,492	\$ 2,102,658	\$ 2,080,493
Support services:				
Student	94,118	96,141	96,679	108,755
Instructional staff	160,568	94,086	117,427	84,741
Administration	616,785	425,429	359,702	408,071
Operation and maintenance of plant	246,572	267,474	236,142	254,411
Transportation	172,203	145,745	143,524	136,994
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	154,425	170,520	171,520	33,309
Long-term debt:				
Principal	60,000	80,000	80,000	80,000
Interest and fiscal charges	2,940	5,240	8,120	10,630
AEA flowthrough	106,725	107,445	121,611	112,442
Total expenditures	<u>\$ 3,823,390</u>	<u>\$ 3,447,572</u>	<u>\$ 3,437,383</u>	<u>\$ 3,309,846</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	965,624	\$ 923,796	\$ 938,438	\$ 916,999	\$ 896,380
	347,215	273,297	266,003	283,044	203,009
	218,718	305,064	329,219	310,845	271,853
	3,518	2,958	1,486	-	9,566
	1,607,037	1,580,222	1,502,405	1,458,141	1,356,063
	207,417	125,508	117,215	144,928	122,673
\$	<u>3,349,529</u>	<u>\$ 3,210,845</u>	<u>\$ 3,154,766</u>	<u>\$ 3,113,957</u>	<u>\$ 2,859,544</u>
\$	2,166,382	\$ 1,973,850	\$ 1,900,248	\$ 1,852,077	\$ 1,720,732
	101,142	96,139	89,890	99,938	89,952
	104,112	130,641	125,446	74,707	75,756
	353,802	342,572	363,899	348,030	332,528
	292,718	267,602	236,628	293,685	328,761
	210,415	161,878	148,553	188,321	109,958
	-	-	-	-	3,903
	51,356	78,895	111,666	133,197	-
	75,000	75,000	75,000	70,000	70,000
	12,880	14,905	16,705	22,175	19,365
	99,389	95,623	93,108	90,268	89,512
\$	<u>3,467,196</u>	<u>\$ 3,237,105</u>	<u>\$ 3,161,143</u>	<u>\$ 3,172,398</u>	<u>\$ 2,840,467</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Murray Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Murray Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Murray Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Murray Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Murray Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified a deficiency in internal control described as item I-A-13 in the accompanying Schedule of Findings that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Murray Community School District's Responses to Findings

Murray Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Murray Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Murray Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 23, 2013

Hunt & Associates, P.C.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Financial Reporting – During the audit, we identified material depreciation calculation errors for assets recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include the corrected depreciation amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets depreciation calculations are accurate and included in the District’s financial statements.

Response – We will double check these in the future to avoid any depreciation calculation errors.

Conclusion – Response accepted.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Terri Jones, Board Member	Substitute teacher	\$268
Marla Jeter, Spouse of Board President Dennis Jeter	Cook	\$6,260

In accordance with Chapter 279.7A of the Code of Iowa, the transaction with the Board Member does not appear to represent a conflict of interest because the total did not exceed \$2,500 for the fiscal year. In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the Board President’s spouse does not appear to represent a conflict of interest.

- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

MURRAY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	251,219	
Revenues:				
Sales tax revenues	\$	210,295		
Interest		639		
Other local revenues		10,625		
School infrastructure supplemental amount		<u>18,553</u>	240,112	
Expenditures/transfers out:				
School infrastructure construction		205,643		
Equipment		43,651		
Transfers to other funds:				
Debt Service Fund		<u>50,000</u>	<u>299,294</u>	
Ending balance		\$	<u><u>192,037</u></u>	

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Financial Condition – The Special Revenue, Student Activity Fund had some individual account deficit balances at June 30, 2013.

Recommendation – The District needs to monitor the accounts and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the conditions and is making strides to eliminate deficit account balances.

Conclusion – Response accepted.